MEMORANDUM

JOINT BUDGET COMMITTEE

TO JBC Members
FROM JBC Staff
DATE March 22, 2018
SUBJECT Comeback Packet 8

Included in this packet are staff comeback memos for the following items:

Corrections (Megan Davisson):
- R1 Staff Retention
- Correctional Officer Step Plans (*Includes Legislation*)
- Nurse and Mid-Level Provider Compensation Adjustment

Higher Education (Amanda Bickel): Options for Additional Higher Education Adjustments

Judicial (Steve Allen): Operating Expenses Adjustment

Provider Rates (Eric Kurtz): Targeted Provider Rates

General (John Ziegler): Statutory Reserve

Additional items requiring action:

OSPB Comeback Packet:
- Data Systems Check for Employees Serving At-Risk Adults (page 17)
- BA-01 Cybersecurity Training for Local Governments (page 41)

OSPB Cybersecurity Letter (Dated March 21, 2018)

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee Members
FROM	Megan Davisson, JBC Staff
DATE	March 22, 2018
SUBJECT	Department of Corrections Compensation Adjustments

➔ R1 STAFF RETENTION

REQUEST: The Department requests an increase of $3,336,294 total funds, of which $3,292,961 is General Fund for a 5.0 percent salary increase for the following six employee classifications:

- Correctional Officer I
- Correctional Officer II
- Correctional Support Trades Supervisor I
- Nurse I
- Nurse III
- Mid-Level Provider (physician assistants).

The salary increases, as proposed by the Department, would be for staff with two to seven years of experience with the Department. Raises would be effective July 2018. Note the request does not account for the statewide 3.0 percent salary survey increase or Governor's proposed 2.0 percent increase of the employee Public Employees Retirement Association (PERA) contribution starting January 2019. The third issue in this document provides additional discussion of this request.

RECOMMENDATION: Staff recommends the Committee deny this request and instead approve the Staff initiated - Correctional Office Step Plans because an across the board increase does not address the issue that Department employees are not moving through the pay range and leaving the Department for better paying jobs. Funding a step plan for correctional officers would ensure movement through the pay range and align with how other law enforcement officers are paid.

ANALYSIS: JBC staff is not convinced a 5.0 percent one-time increase for these classifications would improve long-term retention because a 5.0 percent increase does not address the underlying issue about the lack of progression through the pay range. Employees within the Correctional Officer I and II classifications can easily move to county sheriff departments or local police departments after a couple of years with the Department and start out at a substantially higher salary. This request does not provide a continuous incentive for employees to stay with the Department for more than an additional year. Additionally, historical across the board salary increases have not improved the Department's ability to retain staff.

<u>Inequity between Departments for Similarly Classified Employees</u>

The Department of Human Services requested and received $2,853,305 General Fund in a FY 2017-18 September interim request for salary increases for registered nurses (Nurse I, II, and III) who worked at the Colorado Mental Health Institute – Pueblo (CMHIP). The Department of Human Services has requested for FY 2018-19 the continuation of these increases ($8,901,740 General Fund).

Nurses and mid-level providers who are working in Department of Corrections' facilities, especially San Carlos, are on the same campus as the Department of Human Services nurses who are receiving these raises. It is unclear to staff why nurses who are doing similar job functions in institutional facilities should be treated differently.

➔ STAFF INITIATED – CORRECTIONAL OFFICER STEP PLANS *INCLUDES LEGISLATION*

REQUEST: The Department did not request this change but is aware of the staff recommendation.

RECOMMENDATION: Staff recommends the Committee sponsor legislation as part of the Long Bill package to allow the Department of Corrections to implement a step plan for correctional officers and correctional service trade supervisors. Staff recommends the legislation include an appropriation clause for $14,662,417 total funds, of which $14,471,806 is General Fund and $190,611 is cash funds for correctional officer step increases;

Staff also recommends legislation to eliminate the Department's General Fund transfers to the State Employees Reserve Fund (SERF) – this is JBC Potential Bill # 2 – Eliminate the Department of Corrections persona services reversions to the SERF and allow these funds to revert to the General.

ANALYSIS:

BACKGROUND

Many law enforcement agencies, including county sheriffs and local police departments, use a step plan for officer pay. Step plans are used to minimize officer turnover and maintain officer morale. The current relationship between the public and law enforcement, as well the demands and expectations placed on law enforcement officers is evolving and challenging. High staff turnover leads to:

- Increased overtime costs to cover shifts while new officers are in training;
- High costs to train and equip new officers;
- Decreased work life balance due to forced overtime and limited time off; and
- Unsafe conditions within the prisons[1].

Ensuring that the Department is able to maintain, and even reduce, officer turnover would lead to future cost avoidances. Additionally, incentivizing officers to stay within the Department and promote through the ranks ensures there are officers able and willing to take over leadership positions as the current leadership retires. There can be any number of steps to a step plan. The JBC staff proposed step plan is broken out into ten steps based on the structure of county sheriff's step plans, PERA vestment timelines, and state annual leave amounts. The steps at each classification discussed in this issue follow the same principles:

1. Largest increases are provided in step years one through six.
2. Minimal increases are provided in step years seven through nine.
3. A larger increase is provided in step year ten.

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[1] Staff shortages were noted as a contributor in the February 2017 Delaware prison riot that claimed the life of one employee and the October 2017 North Carolina prion escape attempt that claimed the lives of four employees.

State employees become vested in their retirement benefits through PERA after five years, which can incentivize employees to stay at the Department through at least five years. The Department has found that if an employee stays for at least seven years, they are more likely to complete their tenure with the Department. Therefore, the proposed plan provides larger steps through step year six (steps start after the first year of service). In order to keep staff past the seventh year of service, the plan includes a larger increase in step year ten to provide employees with an incentive to stay. Annual leave and sick leave allowances increase in service years eleven and sixteen. The following table summarizes the steps by correctional officer classifications.

STEP PLAN STEPS							
	Percent	Correctional Officer I		Correctional Officer II		Correctional Support Trades Supervisor 1	
Step	Increase	Monthly	Annual	Monthly	Annual	Monthly	Annual
Base		$3,448	$41,376	$4,031	$41,376	$4,031	$41,376
1	5.0%	3,620	43,440	4,233	50,796	4,233	50,796
2	4.8%	3,794	45,528	4,436	53,232	4,436	53,232
3	4.4%	3,961	47,532	4,631	55,572	4,631	55,572
4	3.8%	4,112	49,344	4,807	57,684	4,807	57,684
5	3.4%	4,252	51,024	4,970	59,640	4,970	59,640
6	3.0%	4,380	52,560	5,119	61,428	5,119	61,428
7	1.5%	4,446	53,352	5,196	62,352	5,196	62,352
8	1.5%	4,513	54,156	5,274	63,288	5,274	63,288
9	1.5%	4,581	54,972	5,353	64,236	5,353	64,236
10	5.0%	4,810	57,720	5,621	67,452	5,621	67,452

Similar to how the Department of Human Services implemented the pay increases for nurses, employees would need to have a rating of 2 or 3 on the most recent performance evaluation to be eligible to progress to the next step. The final detail to the step plan is how to ensure that new employees are not paid above current employees with more experience. The proposed plan has the following two components to address new and current staff.

Component 1

The step plan as shown in the above table would apply to all staff hired starting July 1, 2018 and going forward. Staff in this category would move through the steps and, if they do not promote to a higher classification, would max out after step year ten.

Component 2

For all existing staff (hire on or before June 30, 2017), there would need to be salary adjustments to ensure new employees are not paid above current employees. This component has at least two options for how to implement. Implementing a step plan without moving existing staff to steps would create inequities and could lead to a higher turnover rate. Staff recommends grouping two years of employees together for each jump. This could create issues with staff hired in the first year being paid the same as those in the second year (i.e. an employee is hired in July 2015 would be moved to the same step as an employee hired June 2017). Despite this concern, staff found that based on the current compensation data there is little (as little as $30 per month) difference in the average salary of employees hired in one fiscal year compared to the next. Therefore, because of the minimal difference in current employee compensation staff's recommendation is based on grouping two years together for each jump.

Cost of Step Plan

The following table summarizes the recommended appropriations to support the implementation of the step plan.

SUMMARY OF STAFF RECOMMENDATION FOR CORRECTIONAL OFFICER STEP PLAN			
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS
Salary	$11,728,056	$11,575,591	$152465
Medicare	170,057	$167,846	2,211
PERA	1,172,806	$1,157,560	15,246
Subtotal	*$13,070,919*	*$12,900,997*	*$169,922*
		$0	0
AED	$586,403	$578,780	$7,623
SAED	586,403	$578,780	7,623
STD	19,938	$19,679	259
Shift Differential	398,754	$393,570	5,184
Subtotal Centrally Appropriated	*$1,591,498*	*$1,570,809*	*2,0689*
TOTAL	**$14,662,417**	**$14,471,806**	**$190,611**

Based on conversations with the Office of Legislative Legal Services there is no clear statutory allowing or prohibiting the implementation of step plans within the Department of Corrections. Appropriating funds solely in the Long Bill does not guarantee the long-term implementation of the step plan. Therefore, in order to implement the step plan as designed and in a stable manner, staff recommends legislation to clarify the authority of the Department and the purpose of the plan.

JBC Potential Bill # 2 – Eliminate the Department of Corrections persona services reversions to the SERF and allow these funds to revert to the General. Staff recommends the Committee the sponsor legislation to eliminate the Department of Corrections personal services reversion transfers to the SERF and allow these funds to revert to the General Fund. This change would enable personal services reversions from one fiscal year to cover the cost of step increases in the next fiscal year. Funds that are transferred to the SERF are legislative action to access and have not been used to pay for step increases.

➔ NURSE AND MID-LEVEL PROVIDER COMPENSATION ADJUSTMENT

REQUEST: The Department did not request this change but is aware of staff recommendation.

RECOMMENDATION: Staff recommends the adjustment to the nurse I, II, and III classifications, as well as the mid-level provider classification, be adjusted using the same methodology that is approved for the Department of Human Services R1 request. Based on the request from the Department of Human Services staff recommends an appropriation of $8,841,356 General Fund for nurse and mid-level provider compensation adjustment. The recommendation below

STAFF RECOMMENDATION FOR NURSE AND MID-LEVEL PROVIDER COMPENSATION ADJUSTMENT	
	GENERAL FUND
Base Salary Increase (including PERA and Medicare)	$7,808,536
Short-term Disability	13,294
AED	349,845
SAED	349,845
Shift Differential	319,836

Total	**$8,841,356**

ANALYSIS:

The Department of Human Services requested and received $2,853,305 General Fund in a FY 2017-18 September interim request for salary increases for registered nurses (Nurse I, II, and III) who worked at the Colorado Mental Health Institute – Pueblo (CMHIP). The Department of Human Services has requested for FY 2018-19 the continuation of these increases ($8,901,740 General Fund). The Department of Human Services increases are structured as follows:

- Newly hired CMHIP staff in the Nurse I, II, and III classifications are paid a starting salary that equals the midpoint of the corresponding State pay ranges for FY 2017-18. The FY 2017-18 funding assumes that half of the current vacancies will be filled for four months in FY 2017-18; projections for ongoing costs in FY 2018-19 assume all vacancies will be filled for the full fiscal year.
- Effective October 1, 2017, increase salaries for existing staff in the Nurse I, II, and III classifications to at least the midpoint of the corresponding State pay range for FY 2017-18. Salary increases will be limited to employees who are performing satisfactorily (based on a rating of 2 or 3 on the most recent performance evaluations). Existing employee's salaries will be increased above this midpoint based on the number of years employed by the State.[2]

Using the Department of Human Services' methodology for salary adjustments for the Nurse I, Nurse II, Nurse III, and Mid-level Providers at the Department of Corrections, would cost $8,841,356 General Fund. The cost includes current vacant positions at range midpoint, uses years of service in the current classification, and places current staff along the compression pay table used for the funding approved for the Department of Human Services.

Nurses and mid-level providers who are working in Department of Corrections' facilities, especially San Carlos, are on the same campus as the Department of Human Services nurses who are receiving these raises. It is unclear to staff why nurses who are doing similar job functions in institutional facilities should be treated differently. Therefore, staff recommends the Committee apply the same compensation methodology to the Department of Corrections nurses and mid-level providers that is provided to similarly classified staff in the Department of Human Services.

[2] Kampman, Carolyn. Department of Human Services, September 20, 2017 interim supplemental JBC Staff recommendation. Pages 22 and 23.

Options for Additional Higher Education Adjustments - (Options Outlined in March 20, 2018 Memo) - With Additional Detail/Updates				
	Range of Increases (General Fund)			
Higher Education Funding Increase Options	Within Long Bill	Special Bill	Comment	Included in Exec Request
Additional support for small institutions	$1,220,000	$1,500,000	Option to provide $1.2 million within Long Bill OR $1.5 million in new legislation. Within the LB, this would provide $500,000 more each for Adams and Fort Lewis and $180,000 for Western. (The amount for Western is constrained by the guard rails.) The Committee has already approved a $500,000 increase for all small 4-year institutions and $100,000 each for small community colleges within the model. This would be in addition to the previous committee decision.	No
Possible Occupational Education "Package"				
Occupational Education Grant Program (funding for program start-up and expansion)		5,000,000	The Department request proposed $5.0 million General Fund for an Occupational Credential Capacity Grant Program. The Committee voted not to fund this (at staff's recommendation) based on the need for further input from affected institutions. Based on this input, staff would put the program within the Workforce Development Council and make various other changes. [Related Bill: H.B. 18-1034 Covarrubias, McKean/Priola would add $10.0 million for capital funding for CTE projects in both K-12 and higher education] ***Note: If the Committee is interested in this option, staff suggests authorizing a bill draft.***	Yes
Occupational Education Pilot for High Quality Credentials Awarded (funding for ongoing support) OR Additional Long Bill Support for Area Technical Colleges	1,179,000	5,000,000	Institutions indicate that they need additional ongoing support for occupational education programs, and not simply front-end support. One mechanism for addressing this would be a pilot program to award funds based on high quality occupational education credentials awarded. [Related Bill: S.B. 18-133 (Gardner/Duran) would change the existing funding model to increase weight on technical credentials, resulting in $5.4 million additional funding for community colleges.] If the Committee does not pursue a bill for ongoing support, it could consider an increase for Area Technical Colleges in the Long Bill of up to $1,179,000.	No
Other Bills		??	Other bills could also be included in a "package". For example, staff understands there is a proposal to reauthorize the WORK Act, which provided funding to recruit people for occupational training and apprenticeships.	No

Options for Additional Higher Education Adjustments - (Options Outlined in March 20, 2018 Memo) - With Additional Detail/Updates				
	Range of Increases (General Fund)			
Higher Education Funding Increase Options	Within Long Bill	Special Bill	Comment	Included in Exec Request
			Other initiatives could fit in this category or in the category below. For example, Colorado Mesa University has proposed reducing tuition for its CTE classes in return for funding of $1.6 million Metro State University has requested close to $5.0 million in support for a workforce readiness center that would focus on work-based learning and apprenticeships.	
Other Legislation/Adjustments Related to Special Initiatives/Higher Education Master Plan	Committee Discretion	Committee Discretion	A group of institutions has proposed $18.0 million in additional funds allocated based on a formula they have negotiated. Staff recommends that the Committee fund particular projects it considers of interest. Alternatively, it could allocates funds based on Pell enrollment through a bill or bills that tie back to Master Plan goals. The Committee could choose to set-aside funds for one or more bills related to the Higher Education Master Plan. Within the guard rails of the Higher Education funding model, the Committee could also provide adjustments related to the role and mission of specific institutions.	No
S.B. 18-200 PERA		Uncertain	The Long Bill as approved by the JBC includes assumptions that institutions will not increase tuition by more than 3.0 percent. Depending upon the final form of the bill, some institutions may request additional tuition flexibility or additional General Fund to avoid increasing tuition above this level. Given recent changes to the bill, staff is uncertain whether this will be an issue this year.	No

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Amanda Bickel, JBC Staff (telephone 303-866-4960)
DATE	March 20, 2018
SUBJECT	Options for Additional Higher Education Adjustments

The staff figure setting outlined what staff considered the highest priorities for additional funding in the Long Bill. However, should the Committee choose to add or set-aside additional funds for higher education, staff suggests that the Committee consider prioritizing:

- Additional support for fragile stand-alone institutions - temporary for two years ($1.2-$1.5 million);
- A set-aside for additional occupational education funding ($10.0 million suggested), consistent with Master Plan Goals. This would provide additional funding for the community colleges and area technical colleges. A set-aside could also be used as a mechanism to provide support for related legislative priorities. For example, under this heading, and with additional funds, the Committee could conceivably include additional support for CMU and MSU initiatives to the extent these are tied to occupational credentials and/or applied learning.
- A set-aside for other higher education legislative priorities (dollar amount at Committee discretion).
    - **The JBC could sponsor one or more bills for its own priorities and/or set aside amounts for other legislative priorities.** (Other than in the Occupational Education arena, staff is not aware of legislation introduced by other members that tap into such a set-aside.)
    - As the Committee is aware, the University of Colorado has organized a number of institutions to propose additional funding based on a new funding allocation formula negotiated among the institutions. Staff does not support using a brand new, negotiated formula. **However, if the Committee wishes to use a formula, staff recommends using the number of students eligible for the Pell grant, as staff believes this is most aligned with the Master Plan.**
- Finally, staff would like the 3.0% tuition cap established in the Long Bill to be maintained, despite the impact of S.B. 18-200 (PERA). This could require additional General Fund, depending upon the final form of the bill and scale of the impact.

ADDITIONAL SUPPORT FOR FRAGILE STAND-ALONE INSTITUTIONS

Consider appropriating in the Long Bill or setting aside $1.2 million to $1.5 million in additional funds. In light of the higher revenue forecast, staff believes the Committee should consider additional support for Fort Lewis and Adams State and Western State. Staff suggests such assistance be authorized on a *temporary* basis for the next two years (at which point the model will no longer be constrained by guard rails). Staff hopes that the additional funding will provide the institutions with an opportunity to stabilize financially and for the State to assess the most appropriate level of support going forward.

Consistent with the approach used in staff's original recommendations, this level of adjustment could be made *within* the funding model and thus **included in the Long Bill.** However, due to the model guard rails, additional funding available for Western is more limited and, as for all adjustments within the funding model, there are collateral impacts on other institutions. Funding could also be included outside of the Long Bill if the Committee wishes to run separate legislation and avoid model constraints.

The table below includes adjustments that staff believes can be made in the Long Bill within the funding model. These changes include the changes already approved by the JBC to roll-and-mission funding $500,000 for all small 4-year institutions and $100,000 for small community colleges. To avoid a cut in funding for MSU, staff has also added $40,000 to its role and mission funding in its category of "large comprehensive 4-year institutions". **The Committee previously approved an increase of $2,650,011 above the executive request. This version adds an additional $1,220,000.**

Total with Specialty Education

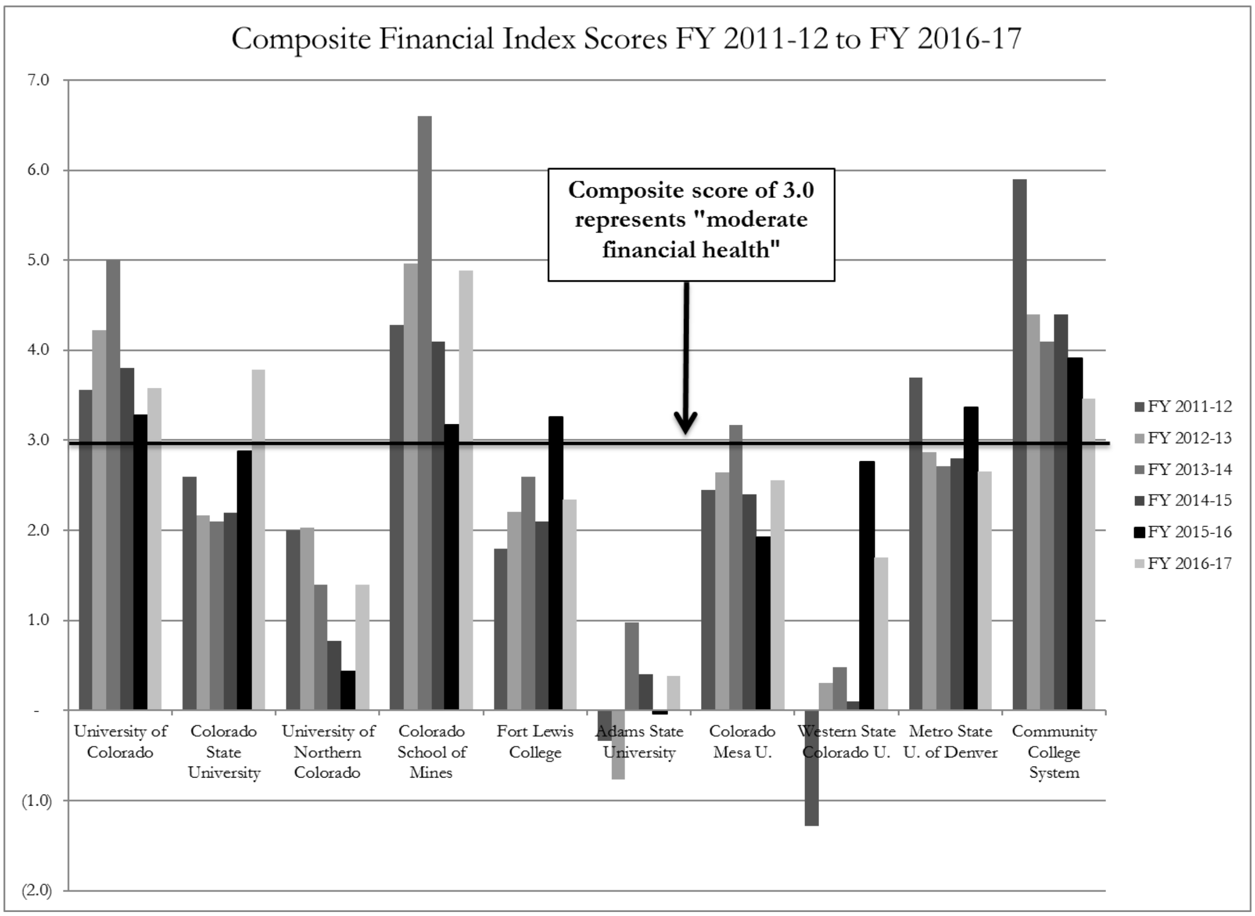
Governing Board	FY 17-18 Approps (w/SEP	FY 18-19 Allocation (w/SEP)	Percent Change from Prior Year	New Option: Change in $	Exec Requesed Increase	New Option Above/(below) Request
Adams	14,259,963	$15,798,730	10.79%	$1,538,767	$515,205	$1,023,562
Mesa	25,951,161	$28,424,330	9.53%	$2,473,169	$2,476,586	-$3,417
Mines	21,484,706	$22,398,058	4.25%	$913,352	$889,569	$23,783
CSU	139,285,526	$151,592,553	8.84%	$12,307,027	$11,741,288	$565,739
CCCS	153,547,255	$167,952,487	9.38%	$14,405,232	$13,877,681	$527,551
Ft. Lewis	11,784,939	$13,024,098	10.51%	$1,239,159	$425,286	$813,873
Metro	51,626,603	$56,491,922	9.42%	$4,865,319	$4,872,836	-$7,517
CU	194,218,227	$213,151,646	9.75%	$18,933,419	$18,875,244	$58,175
UNC	39,522,408	$41,737,432	5.6%	$2,215,024	$2,211,148	$3,876
Western	11,821,897	$13,488,588	14.10%	$1,666,691	$958,874	$707,817
CMC	7,319,484	$7,987,525	9.13%	$668,041	$624,288	$43,753
AIMS	8,654,810	$9,444,725	9.13%	$789,915	$738,179	$51,736
ATC	10,218,039	$11,150,628	9.13%	$932,589	$871,509	$61,080
Total	689,695,018	752,642,721	9.126890%	62,947,704	59,077,693	3,870,011

As previously noted:

- **Adams State University.** Adams' composite financial index (CFI) has hovered close to zero in recent years. It is facing substantial declines in enrollment, and has been on probation with its accreditor, the Higher Learning Commission, and, as a result, students have been discouraged from attending. Its trend with respect to total FTE does not appear dire, but this conceals a steady decline in its "bread and butter" undergraduate enrollment since FY 2011-12 (from 1,967 in FY 2012 to 1,694 in FY 2016-17). Adams reports a further enrollment drop of 7 percent in FY 2017-18. Last year's Treasurer's report highlighted concerns, and the school was ineligible for the intercept program for one year due to its coverage ratio. It is again eligible this year. However, its bond rating was recently assessed as A3 with a negative outlook. If it slips further, the school will be in the B category and no longer eligible for intercept. Adams reports that it is planning $1.7 million in budget reductions. While it appears that the Higher Learning Commission will remove Adams from probationary status, its leadership is in flux.

- **Fort Lewis College.** From a financial position, Fort Lewis is assessed as stronger than the other two institutions, with a credit rating of A2, due to the Native American Tuition Waiver and the associated reliable General Fund support. However, its enrollment has been shrinking from over 4,000 students in the early 2000s to just 3,167 in FY 2016-17, and for the last two years even its Native American student population and related waiver revenue has declined. It reports planned cuts of $4.7 million for the next year, and most of its leadership is in the process of changing.

- **Western State Colorado University's** financial positions appeared stronger in 2015-16, because of significant additional capital investments from the State. However, its CFI position has declined in FY 2016-17. Western State has seen significant enrollment growth, due to improved marketing, and it has seen a sharp uptick in enrollment from a low of 1,792 in 2012-13 to 2,196 in FY 2016-17. However, its credit rating is still Baa1, and it is highly leveraged. Due to its low credit rating, it is not eligible to expand its debt under the revenue bond intercept program. Further, after a substantial enrollment increase for FY 2016-17, enrollment again fell below expectations in FY 2017-18.



GOVERNING BOARD	TREASURER: QUALIFIED TO ISSUE ADDITIONAL DEBT UNDER INTERCEPT PROGRAM BASED ON CREDIT RATING, COVERAGE RATIO, AND DEBT PAYMENT TO STATE APPROPRIATION RATIO?	BOND RATING/RATING OUTLOOK MOODY)*	NOTES
Fort Lewis College	YES	A2/stable (Feb 2016)	Debt service coverage is sufficient and Native American Tuition waiver provides ongoing support, but Moody's notes declining enrollment and limited pricing power in a competitive environment.
Adams State University	YES	A3/negative (May 2017)	Qualifies for intercept in 2017 after failing test in 2016 due to debt coverage ratio. However, credit rating downgraded by Moody's 1/22/16 and outlook assessed as negative in May 2017. (Any further downgrade would disqualify Adams from the intercept program.) Moody's indicates the negative outlook reflects uncertainty regarding the university's ability to successfully balance operating performance due to limited state operating support and variable enrollment.
Western State Colorado U.	**NO**	Baa1/stable (Aug 2016)	Fails credit rating test and coverage ratio test. Rating is stable. Coverage is challenging as the University is highly leveraged with capital expenses equivalent to 23 percent of total expenses.

OCCUPATIONAL EDUCATION

Consider a set-aside of $10.0 million, which could include funding to address front-end and/or ongoing program maintenance costs. A higher figure could be considered to accommodate other members' bills, if desired based on conversations with leadership. The Governor's request included $5.0 million for a front-end grant program that the JBC has not chosen to approve thus far.

As requested by the Committee, staff met with some of the parties interested in Career and Technical Education last week. Based on this meeting, as well as other pending legislation, it is clear that:

- The Workforce Council in the Colorado Department of Labor and Employment is positioned to administer a grant program targeted to occupational education expansion that takes into account the joint interests of employers and students--and thus helps ensure that there are jobs at the end of a technical certification.
- Institutions see the need for *both* additional front-end support and additional ongoing funding for such expansion.
- If sufficient funds are available, staff supports (1) a $5.0 million grant program in the Department of Labor and Employment; and (2) $5.0 million per year for a 3-year pilot program that would award funding based on the number of high-quality CTE certificates awarded. The JBC could sponsor these bills, work with the sponsors of S.B. 18-133 (Higher Ed Certificate Performance funding by Gardner/Duran) and H.B. 18-1034 (Career and Technical Ed Capital Grant Program by Covarrubias &McKean/Priola) to modify their bills.

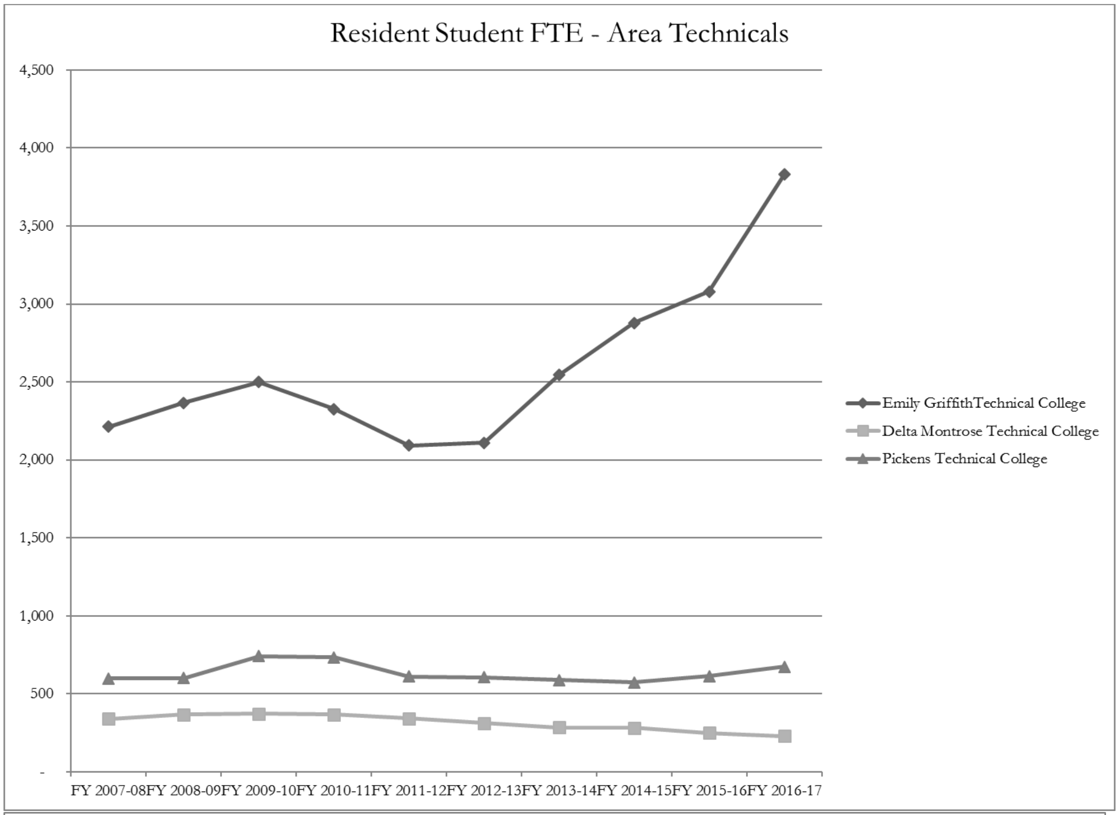
- Based on discussions with leadership, the Committee could also set aside a larger amount to support a range of legislators' initiatives. A number of legislators are very interested in enhanced support and expansion of career and technical education. There may be a number of bills that could be classified as related to occupational education. For example, staff understands there is a bill to continue the WORK program (which helps to recruit students for short-term certificate training), which was last funded at $3.4 million per year).
- Legislation targeted to occupational education could also be used, conceivably, to provide additional support to (a) Colorado Mesa University to help reduce the cost of its CTE programs; and (b) Metro State University to support its proposed new center focused on applied learning and apprenticeships *if* such initiatives are not addressed through a broader bill related to higher education funding.
- In general, institutions' support for any particular occupational education funding scenario (including interest in awarding funds based on occupational education credentials, as well as proposals from CMU and MSU) may tempered by broader negotiations among the institutions about what constitutes "fair" funding increases for higher education.

An excerpt from Staff's figure setting write-up about Career and Technical Education is attached.

If the Committee decides that its proposed set-aside will include a grant program similar to that requested by the Department but with changes proposed by staff (see attachment), staff requests that the Committee request a bill draft. Staff believes the text of a bill draft will be useful in working out the details of a program and in discussions with other members.

ADDITIONAL SUPPORT FOR AREA TECHNICAL COLLEGES

If not addressed through Occupational Initiatives above, *consider appropriating in the Long Bill or setting aside up to $1.1 million in additional funds for Area Technical Colleges*. During figure setting, staff noted that some additional support for the Area Technical Colleges seemed appropriate in light of enrollment trends. As shown below, Emily Griffith FTE have increased very rapidly in recent years, although this is not the case for the other two, smaller technical colleges. For comparison, staff has also included trends for undergraduate resident enrollment at the community colleges and state institutions overall. In total, resident FTE at the area technical colleges has grown by over 50 percent since FY 2011-12, driven entirely by Emily Griffith. For comparison, resident FTE in the state community college system has declined by 20 percent during the same period, and resident undergraduate FTE at public institutions statewide has declined by 10 percent. Because of these different enrollment trends, the State is providing far less support per area technical college student than in prior years.


Resident Student FTE - Area Technicals
4,500
4,000
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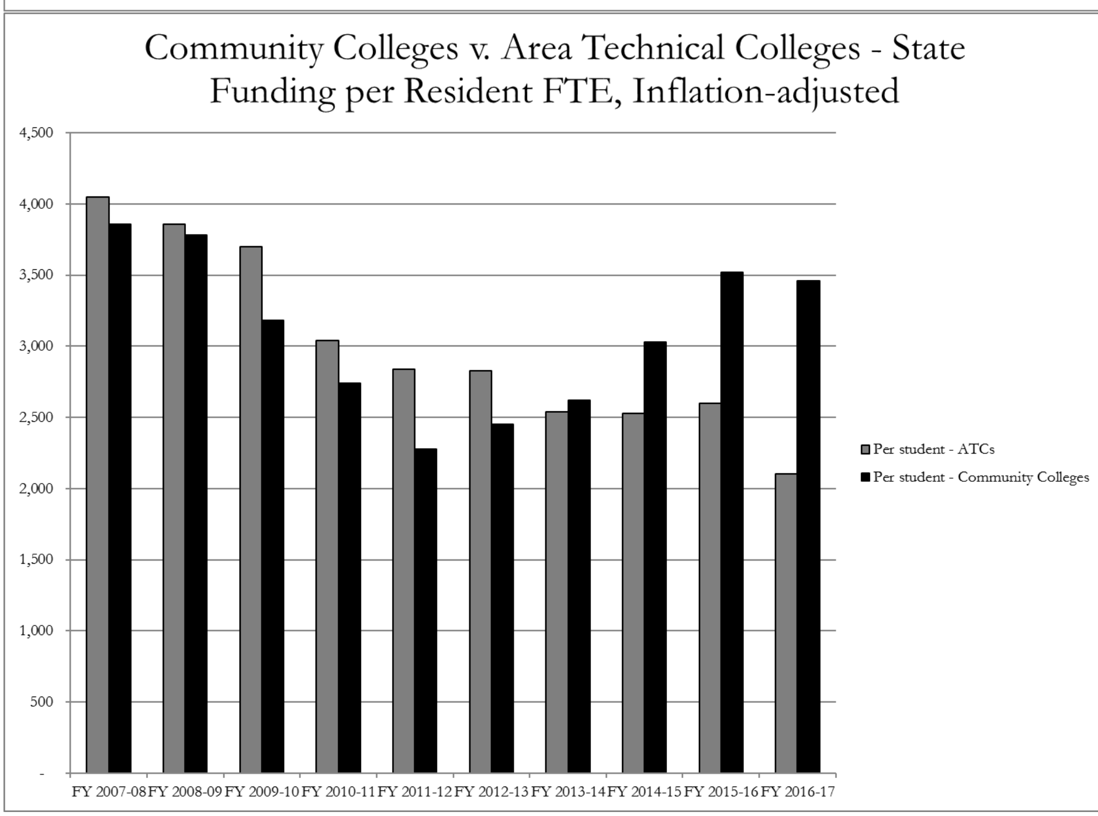
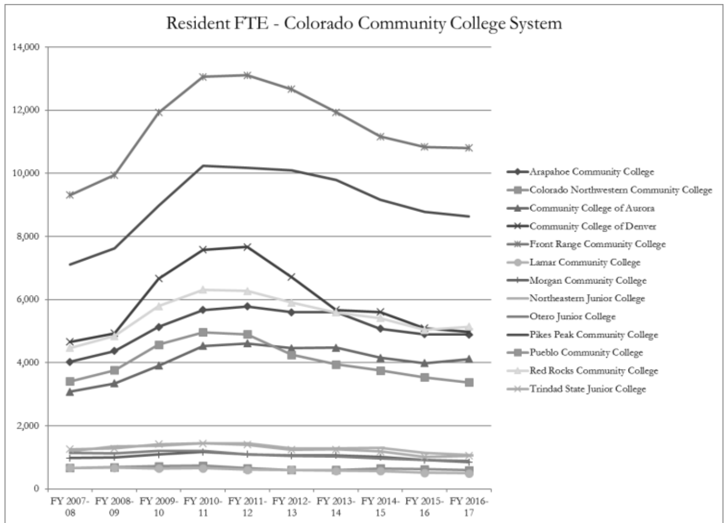
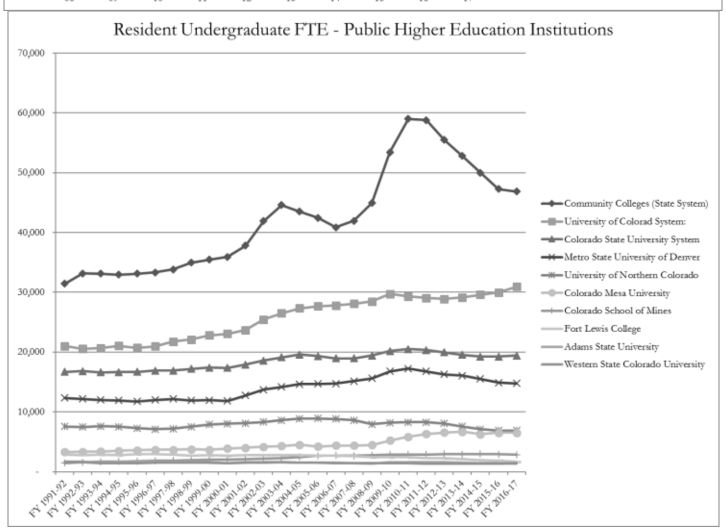
Pickens Technical College


Community Colleges v. Area Technical Colleges - State Funding per Resident FTE, Inflation-adjusted
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
FY 2007-08
FY 2008-09
FY 2009-10
FY 2010-11
FY 2011-12
FY 2012-13
FY 2013-14
FY 2014-15
FY 2015-16
FY 2016-17
Per student - ATCs
Per student - Community Colleges





It is difficult to determine an "appropriate" amount of funding for the ATCs.

- Their funding per statute increases and decreases at the same rate as the overall state higher education funding and is not related to any of the metrics within the H.B. 14-1319 funding model.
- It is difficult to compare the costs of programs at the ATCs as opposed to the community colleges. While the community colleges report average tuition and mandatory fees of $4,798 in FY 2017-18, this does not include the additional charges associated with particular programs of study. Nursing students at Front Range Community College pay $217 to $328 per credit hour ($6,510 to $9,840 per year full time) *plus* additional fees, while the cost of an LPN certificate at Emily Griffith (39 credit hours at $10,213 or $7,860 per year full time) works out to $262 per credit hour *including* fees.
- The State has no control over tuition levels at the ATCs and has little visibility into internal decisions about how ATCs operate, since ATCs are housed within school districts and operate under school district boards.

Nonetheless, the ATCs serve a postsecondary, as well as a secondary, function. All enrollment figures reported to the State are for postsecondary, rather than secondary enrollment. Postsecondary enrollment is the vast majority of the student population at Emily Griffith and a large share of the student population at the other two institutions. While some students may be concurrently enrolled in high school and college, this is no different from students concurrently enrolled at the community colleges.

In light of this, staff believes the Committee could consider bringing the per-student level of funding at the ATCs up to the level in effect in FY 2015-16, before total the latest large enrollment increase, which would result in a very substantial additional increase of 10.6 percent ($1.1 million).
Note, however:

- While staff believes this level of increase is defensible, staff is concerned that the Executive Branch did not propose an additional ATC increase. Further, while staff has no specific basis for doubting the FTE figures reported by DHE, the rapid enrollment increase at Emily Griffith raises some concerns for staff about the quality of the data.
- *If the Committee approves a set-aside for occupational education that includes an ongoing component related to funding for CTE certificate production, staff would recommend providing additional funding for the Area Technical Colleges through that mechanism instead of through the Long Bill. In general, staff would prefer that additional funding be tied to specific outcomes rather than a Long Bill base adjustment, given the General Assembly's lack of influence over CTE tuition or operations.*

FY 2018-19 ATC funding - JBC Action	$11,086,572
ATC res. FTE FY 2016-17	4,735
ATC per student based on FY 2016-17 FTE	2,341.18
FY 2017-18 ATC Funding	$10,218,039
ATC res FTE FY 2015-16	3,945
ATC per student based on FY 2015-16 FTE	2,590.12
Difference FY 2019 v. FY 2018	$249
Additional funding (4,735 FTE)	**$1,178,882**

OTHER NEW LEGISLATION/ALTERNATIVE ALLOCATIONS

A number of higher education institutions have promoted a new proposed allocation formula for distribution of additional funds among the higher education institutions. Institutions have correctly noted that H.B. 14-1319 anticipates that new legislation that might provide appropriations above the amounts included in the Long Bill, so this is a mechanism that could be used, should the Committee wish to provide additional appropriations.

Staff assumes that this coordinated proposal responds, in part, to concerns from members of the JBC and the General Assembly about disorganized "one-off" proposals from institutions that have not been vetted through the Department of Higher Education or the Governor's Office.

- The institutions' proposal is based on:
  Allocating funds among CU, CSU, Mines and UNC based on STEM completions

Allocating funds between MSU-Denver and CMU based on Pell COF credit hours
Allocating funds between Adams, Western, and Fort Lewis equally
Allocating funds among the community colleges, ATCS, CMC and Aims based on certificate completions of at least 24 credit hours in length

- Staff suggests that if the Committee wishes to add additional funding for higher education, it should consider tying such funding to new statutory requirements, programs, or outcomes, such as increasing occupational education credentials.

- Alternatively, if the Committee wishes to consider a formula allocation, staff recommends distributing any additional funding based on students who qualify for the Pell grant, rather than based on a newly invented formula that proposes to allocate funds based on entirely different criteria for different categories of institutions. About one-third of students enrolled in the public institutions are eligible for Pell.

- If funds are distributed based on the Pell formula, the use of these funds could be focused on: efforts to recruit students how have not traditionally participated in higher education; financial aid for low- to middle-income students; and efforts to help such students retain and complete. The General Assembly could then rely on the Colorado Commission on Higher Education to vet institutional proposals to ensure that they are reasonably likely to achieve the stated goals.

- Staff recognizes that distribution of funds through the Pell grant will *not* help to address the financial challenges facing small institutions and would therefore suggest that, if the Committee chooses to pursue this option, it add funds in the Long Bill for these institutions.

Rationale for Using Pell and Tying to Enrollment/Completion - IF Wish to Use Allocation Formula
The most critical problems facing Colorado's higher education relate to (1) desire for greater *participation* in higher education among groups that have not traditionally participated at high levels, as this is the only way the home-grown population of participants will grow. This <u>includes</u> greater participation in activities that lead to short-term technical credentials; (2) desire for more consistent *completion* among students who participate in higher education.

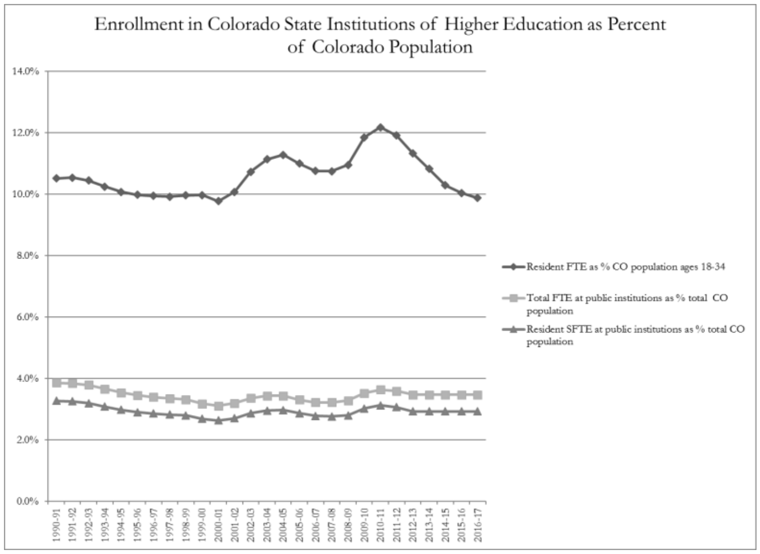
Higher Education Enrollment

Colorado High School Graduates' College Enrollment

Table 2. In-State and Out-of-State Enrollment Summary

High School Graduation Year	% HS Graduates Enrolling at In-State College	% HS Graduates Enrolling at Out-of-State College	% HS Graduates Not Enrolled
2015	**43.1%**	**13.4%**	**43.5%**
2014	42.5%	13.3%	44.2%
2013	42.9%	12.4%	44.7%
2012	44.4%	12.5%	43.0%
2011	45.2%	12.2%	42.6%
2010	45.9%	12.0%	42.1%
2009	47.4%	11.4%	41.2%

Source: *2017 Legislative Report on the Postsecondary Progress and Success of High School Graduates*, Colorado Department of Higher Education, March 3, 2017.
https://highered.colorado.gov/Publications/Reports/Legislative/PostSecondary/2017_Postsecondary_Progress_rel20170303.pdf



Higher Education Completion
About one-third of students transfer in the course of their educational career. According to the National Student Clearinghouse Research Center taking into account the large amount of transfers by students among institutions both in and out of state:[1]

- The completion rate for students who started at a **four-year public institution** in Colorado in 2010 was **61.6 percent** after six years, with 24.7 percent not completing at any institution, and the remainder still enrolled.

- The completion rate for students who started at a public **two-year institution** in Colorado was **38.2 percent** after six years. At that point, 13.7 percent had completed a four-year degree and 24.5 percent had completed a two-year degree. Nearly half of students (48.5 percent) had not completed after six years.

Lower-Income Students
Both enrollment and completion figures are worse for students who are low-income (as well as first in their families to attend college. As noted by the federal Department of Education, while half of Americans from high-income families hold a bachelor's degree by age 25, just 1 in 10 people from low-income families attain that level of education.[2] Researchers have found that even after accounting for other characteristics, completion rates among lower income students are consistently lower than for their peers.[3]

[1] Shapiro, D et. Al., Completing College: A State Level View of Student Attainment Rates, (Signature Report No. 12 a), National Student Clearinghouse Research Center, March, 2017
https://nscresearchcenter.org/signaturereport12-statesupplement/
[2] https://www.ed.gov/college
[3] College Board Trends in Higher Education https://trends.collegeboard.org/education-pays/figures-tables/completion-rates-family-income-and-parental-education-level

Comparison - Allocation of Additional Funds Based on Various Formulas

The table below reflects the hypothetical allocation of $10,000,000 under three possible options: (1) the proposal put forward by a group of institutions; (2) the current higher education funding model; and (3) Number of Pell students. The institutional proposal is based on $18.0 million, but staff does not know the origin of that figure. As previously noted, staff anticipates that funding for small rural institutions would primarily be provided outside any Pell-based formula.

	INSTITUTION PROPOSAL	REQUEST MODEL	PELL ALLOCATION
Adams State University	$740,741	$198,679	$148,413
Colorado Mesa University	693,812	337,671	535,737
Colorado School of Mines	403,950	360,074	102,129
CSU System	746,002	2,124,961	1,102,384
Community College System	2,340,432	1,703,307	3,813,651
Fort Lewis College	740,741	162,875	96,313
Metropolitan State University of Denver	1,528,411	746,399	1,307,119
CU System	1,465,895	3,279,669	1,818,240
University of Northern Colorado	161,932	535,904	425,084
Western State Colorado University	740,741	161,094	79,106
CO Mountain College	129,946	108,809	169,683
Aims Community College	53,096	128,660	271,812
Area Technical Colleges	254,303	151,898	130,329
TOTAL	**10,000,002**	**10,000,000**	**10,000,000**

EXCERPT FROM FIGURE SETTING PACKET

R5 OCCUPATIONAL CREDENTIAL CAPACITY GRANT PROGRAM AND STAFF-INITIATED CREDENTIAL INCENTIVE PROGRAM (BILL #18 AND APPROPRIATION)

REQUEST: The Department of Higher Education request R5, Occupational Credential Capacity Grant Program, proposes a new $5,000,000 General Fund grant program to support capacity building for postsecondary occupational education programs.

The State's *Talent Pipeline* report finds that 16 percent of all labor market vacancies in Colorado will require a certificate by 2025. This reflects a significant increase in demand for such certificates since 2015.

Existing financial resources and incentive structures are not sufficient for institutions to expand their CTE programs in many high cost/high demand fields. The specific obstacles vary depending upon the region and the program but include:

- space availability
- accreditation requirements
- additional resources needed for students; and
- qualified faculty.

The Department's proposed solution is a new grant program that would help institutions address the specific obstacles they face with respect to expanding existing programs and building new ones. Specific program components:

- The program would use a "request for proposals" (RFP) process requiring institutions to submit plans to address the obstacles they face in expanding or launching specific CTE programs.
- New and expanded programs must address regional labor market demands and be based on an analysis of job openings in the areas.
- Grants would prioritize programs serving underserved populations and locations. Grants could help expand concurrent enrollment opportunities for students dually enrolled in high school and college in low-income, high minority, and rural districts. Grants could also be used to expand CTE programs offered by institutions of higher education in correctional institutions, among other purposes.
- The following institutions would be eligible: community colleges, Colorado Mesa University, area technical colleges, and local district colleges.
- The program would be housed in the Department of Higher Education but, as part of the RFP review process, the Department will coordinate with the Workforce Development Council, which includes the Executive Directors of the Departments of Labor and Employment, Education, the Office of Economic Development and International Trade, and the Department of Higher Education, among others. The Department of Corrections would be included for programs targeting correctional populations.
- As part of the RFP process, the Department will require each institution to explain how their project will increase certificates, the number of additional certificates to be generated, and the timelines.

- Success will be measured by the number of additional certificates added each year in high demand fields. The State is currently seeking to increase certificate production by 643 certificates annually over the next eight years.
- The Department proposes to work on developing the potential RFP during the legislative session, so that the RFP can be released before the end of July 2018 if necessary legislation is approved.
- Creating this program will require new legislation.

In response to staff and Committee hearing questions, the Department indicated:

- Examples of programs that could be funded:
  - Applicants may show that there is a short-term need for certificate production and a one-time influx of emergency financial aid will produce certificates to meet existing industry needs;
  - Applicants may show that a one-time influx of training resources may help institutions to alleviate waitlists by providing a revenue source to onboard faculty;
  - Applicants may show that by providing revenue to overcome barriers to entry, like salaries, this program can assist institutions in developing sustainable new capacity. As the capacity grows, the institution revenue derived from other sources will also grow, thus allowing the additional capacity to remain intact.
- The Department does **not** anticipate that these funds would be used for capital construction.
- While the structure of the grant currently assumes a single year of funding, proposals could span across a couple of years.
- The Department anticipates that this would be a *competitive* grant process.
- Grants would be awarded based on criteria such as demonstrated need, feasibility, anticipated return on investment, and alignment with state or regional workforce needs.
- The Department anticipates accepting requests between $100,000 and $1,000,000, and the ability to address special populations. These will be one-time grants to recipients with the possibility to expand into out-years if additional capacity needs can be addressed.

RECOMMENDATION: Staff supports the goal of the proposed grant program, as well as a new formula allocation for CTE programs described below. Nonetheless, staff is very concerned about the apparent lack of detailed planning or stakeholder involvement up to this point. **Staff has outlined preliminary recommendations for a potential bill. However, staff suggests that the Committee wait to proceed with any action until:**

The Department provides a detailed plan for the grant portion of the initiative, including details that demonstrates active stakeholder involvement in the planning process (e.g., through a "comeback"); and

The Committee consults with other legislators that have expressed interest in CTE.

Staff believes the JBC, in consultation with other legislators, could consider a CTE "package" that supports:

Support for **front-end development of CTE** programs through a grant program ($5.0 million, consistent with request);

Additional **performance-based operating support** for CTE programs ($5.0 million beyond request, if available);

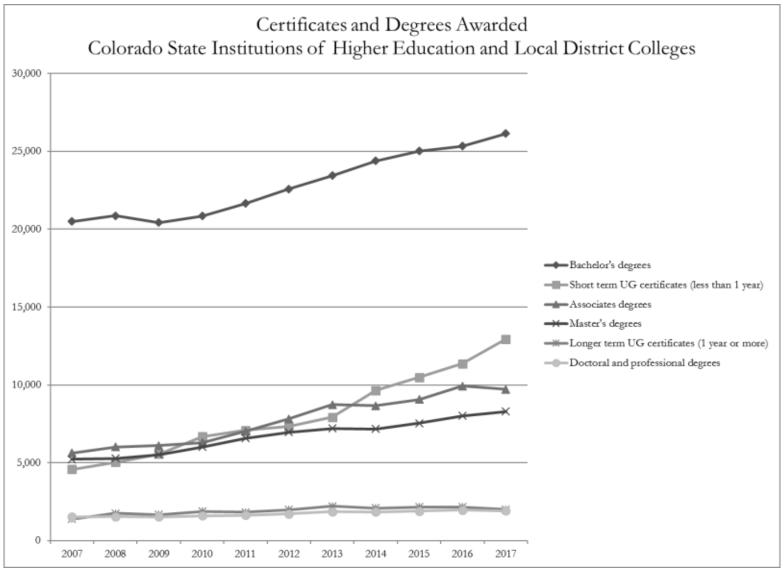
However, staff is unable to support a grant program until the Department is able to clearly articulate the proposal and address basic questions such as who will review these proposals. If it can do this, staff will support this initiative in the comeback process. Further, there are currently two bills in play that touch on these issues but differ from the staff recommendation. The Committee may wish to consult with the sponsors of those bills as it considers a path forward.

Related Bills:
Senate Bill 18-133 (Concerning performance funding in higher education fee-for-service contracts for awarding certificates by Sen. Gardner and Speaker Duran) would change the statutory higher education funding model so that each certificate is awarded at 50 percent of the amount for each bachelor's degree awarded. The bill is currently in the Senate Education Committee.

House Bill 18-1034 (Concerning Creation of a Grant Program for Capital Costs Relating to Career and Technical Education by Reps. Covarrubias/McKean and Sen. Priola) proposes a $10.0 million grant program for capital costs relating to career and technical education. This program would benefit postsecondary CTE providers *and* K-12 CTE providers by funding equipment and capital construction for CTE. It would be administered by the Colorado Workforce Development Council, rather than the Department of Higher Education. The bill passed out of the House Education Committee and is currently in the House Appropriations committee.

ANALYSIS - WHY SUPPORT CAREER AND TECHNICAL EDUCATION?
Background

- About one-third of all community college student FTE are enrolled in CTE programs. State support for *postsecondary* CTE includes $10.2 million for the area technical colleges and over $55 million for community colleges and local district colleges based on the share of community college students enrolled in CTE.
- As of FY 2014-15, 34,829 students were enrolled in postsecondary CTE programs, including 10,000 students who are concurrently enrolled in high school and college CTE programs.
- The majority of state and local CTE dollars support CTE in the K-12 system as part of school finance formula. However, much of the coursework the approximately 100,000 K-12 CTE students take reflects sampling/experimenting with CTE. The State only provides CTE *credentials* through the postsecondary system.
- In FY 2016-17, state postsecondary institutions awarded almost 20,000 CTE credentials. In recent years, institutions have significantly increased the rate at which CTE certificates are awarded.



State Workforce Needs

The chart below shows the job opening projections that have served as the basis for the State's educational attainment and credential production goals. As can be seen, while about 73 percent of projected jobs are anticipated to require education beyond high school a large portion of those jobs do not require a baccalaureate degree but rather "some college" such as a technical credential or associates degree.

Colorado Projected Job Openings 2020

OCCUPATION	JOB OPENINGS BY OCCUPATION AND EDUCATION LEVEL (IN THOUSANDS)					
	Less than high school	High school diploma	Some college/ no degree	Associate's degree	Bachelor's degree	Master's degree or better
Managerial and Professional Office	2	14	31	11	73	35
STEM	0	3	9	4	27	14
Social Sciences	0	0	0	0	2	4
Community Services and Arts	0	3	8	3	28	11
Education	0	1	4	2	20	25
Healthcare Professional and Technical	0	1	5	9	15	14
Healthcare Support	1	5	7	5	2	1
Food and Personal Services	25	50	43	13	29	4
Sales and Office Support	10	64	77	23	71	14
Blue Collar	28	60	42	14	14	2
TOTAL	**67**	**201**	**226**	**84**	**282**	**124**
Share of Job Openings	6.8%	20.4%	23.0%	8.5%	28.7%	12.6%
	27.2%		31.5%		41.3%	
	High school or less		Some college/associates		Bachelors or higher	

Source: Carnevale, Smith, and Strohl, Recovery: Projections of Jobs and Education Requirements through 2020 (Colorado-Recovery section), Georgetown Public Policy Institute, Center on Education and the Workforce, June 2013.

Colorado's current public postsecondary educational system and postsecondary educational expenditures are heavily weighted toward four-year institutions. The Department provided the following comparison of the actual distribution of degrees awarded and the distribution of need indicated by the Georgetown workforce analyses. While the future is difficult to predict, this suggests that the State should continue to enhance its focus on growing mid-level credentials, such as technical certificates and associates degrees.

<u>2014 Actual Degree Distribution:</u>

BA 54% > AA 21% > Cert 25%

Georgetown Degree Distribution based upon Projected Job Needs

BA 36% > AA 30% > Cert 33%

Some shorter-term certificates generate significantly more money for a student than some 4-year liberal arts degrees. For example, based on data collected in the Launch My Career Colorado website: https://launchmycareercolorado.org/

- A student earning a bachelor's degree in English at CU Boulder can expect first year wages of just $23,571and top future earnings, after about 15 years, of about $58,081 per year for a degree costing $92,633.

- A student earning certification in welding at Front Range Community College can expect first year wages of $35,148 and mid-career wages of $78,702 for a certificate costing $6,842.

The State's Talent Pipeline Report concludes that 7 percent of top jobs--jobs paying a living wage--require a postsecondary certificate. Among jobs that pay a living wage for an individual (as opposed to a family), jobs requiring a certificate make up 11 percent compared to 6 percent that require a bachelor's degree. These include the following.

OCCUPATION	2015-2025 GROWTH RATE (%)	AVG. ANNUAL OPENINGS
Nursing Assistant	34.3	1,118
Medical Assistant	37.2	548
Dental Assistant	28.5	334
HVAC Mechanics and Installers	44.4	329
LPNs and licensed vocational nurses	28.6	321
EMTs and paramedics	39.0	236
Barbers	34.0	132
Phlebotomists	44.5	122
Estheticians	32.4	65
Audio and visual equipment techs	27.6	55
Medical transcriptionists	25.0	49

POTENTIAL PROGRAM COMPONENTS

As noted above, a CTE "package" could include both funding for front-end program expansion and support for production of CTE certificates on an ongoing basis.

Grant Program: A grant program, requested by the Department, could help to address some of the challenges to expanding CTE programs. Area technical colleges and community colleges indicate that their **ability to expand high quality CTE programs is often limited by front-end costs**. Institutions have indicated that a grant program could be helpful in funding equipment, start-up costs, and capital costs.

To be successful, however, such a program must address:
Department capacity to review proposals;
How programs will be scored/fairness;
Demonstrating industry support;
Capital funding issues; and
Timing.

Staff has included some related suggestions below. However, staff believes that further input and feedback from stakeholders is needed to construct a thoughtful program. Staff's preliminary suggestions, if the Committee is interested in this initiative, include:

- Require grantees to demonstrate that the grant will: (1) address a state or regional need for a particular type of certification in a high demand job (based on the Talent Pipeline report and local business demand); (2) cover needed start-up costs for the program, including capital and leased space. The Department's current proposal is extremely broad (e.g., proposing "emergency financial aid" to meet industry needs), and the General Assembly might want a slightly more narrow/clear range of funding targets.

- *Require* close involvement with the Workforce Development Council. One option would be to have the Workforce Development Council oversee the program. Regardless, grants should not be approved without specific support from the Workforce Development Council. Staff has requested that the Department submit a more detailed proposal for the grant selection and approval process (i.e., who will be involved) so that, if this initiative is approved, the process can be clearly articulated in statute.

- Specify that grant funds shall be available for at least two years. Staff does not believe that an effective grant program can be launched, grants awarded, and dollars spent within a year. The Committee might consider a cash fund to hold the dollars.

- Require industry participation, and favor those projects receiving matching funds, equipment, and other resources from a group of industry partners.

- Allow for 2.0-3.0 percent of approved funding ($100,000 to $150,000) to be used for administration. The Department asserts that this program can be administered within existing resources. There has been so much turnover in the Department that it is likely that the Department has sufficient excess financial resources to administer the program at present and would not need to use these administrative funds. *However,* staff believes that for a program of this type to be successful, the State would need dedicated staff with expertise in CTE and the ability to assess proposals. *Administration of CTE is currently located in the State Board for Community Colleges and Occupational Education, which administers various formula allocation programs to all relevant entities. The Department has a 0.5 FTE position (currently vacant), shared between the Workforce Development Council and the Department, to compile the Talent Pipeline report, but staff is doubtful that the person in this position, if filled, could effectively also oversee a competitive grant program with dozens of applications and associated post-grant monitoring.*

- Specify that grants may be used for equipment, start-up costs, and some capital expenses. Allow at least $500,000 to support capital construction activities per grant, so long as there is evidence that there will be future revenue to cover these costs in later years. Capital costs are often the largest obstacles to moving these projects forward. Community colleges have access to capital construction funds through the capital development process, and this grant should not duplicate that process. Area technical colleges (and local district colleges) do not have access to this support. ATCs, in particular, often complain about a lack of related resources. If the program wishes to allow for larger capital grants to ATCs for capital construction, some additional review by the CDC might be appropriate; but this is not necessary for capital spending under $500,000.

- As the Department has recently proposed to staff, ensure that the request and reporting process builds on the existing structure created for the federal Perkins grant. This federal grant, allocated via formula, supports equipment and other front-end costs for CTE programs. However, funding is disbursed to both secondary and postsecondary programs by the community college system using a formula distribution. With this new grant program, the State hopes to be able to direct larger amounts of funds than are currently available through the formula and thus to spur more significant program development. However, much of the data collection and analysis already required for the Perkins program may be used for this one.

In response to staff questions, the Community College System provided examples of some of the kinds of activities that could be at least partially funded through this initiative. As is clear from these examples, other major sources of support would also be necessary for large program expansions.

Mobile Welding Lab: 40 ft. portable welding lab requires $818,000 in equipment and first year personnel and operating of $121,250.

Media Program requested by high schools and communities in the area: Program equipment: $20,000; Start-up costs, including first year personnel and operating $128,200.

Health Care Program Expansion: Facility usage is at a maximum for current health programs. In order to expand current or add new programs, the college would need leased space to support growing simulation usage while adding three new programs: surgical technology, respiratory therapy, and physical therapy assistant. Program equipment cost: $665,000; Startup costs such as accreditation and professional development: $288,000; First year leased space cost and build out: $6.7 million.

Area Technical Colleges have indicated to staff that their most significant obstacle to program expansion is space and capital construction costs. Staff is uncertain whether the grant program parameters suggested above by staff would be sufficient to meet their needs. Staff presumes that if the Department is serious about this initiative it will sit down with the Area Technical Colleges to hammer out such issues.

CTE Performance Incentive/Operating Funding: CTE providers such as the community college system argue that if credential attainment is a priority for the General Assembly, it should "put its money where its mouth is" and add weight for CTE in the existing higher education funding model.

Staff has some sympathy for this position, but notes that:

- Making this change within the current higher education funding model drives $5.4 million to the community colleges at the expense of other institutions, which could limit institutions' ability to keep to the 3.0 percent tuition cap to which they previously agreed.
- About 25 percent of CTE credentials are driven by the area technical colleges, which receive no related funding benefit from increasing weight on CTE in the higher education model.
- The Department has expressed concern about creating an incentive to issue "junk" certificates. Unlike degrees where requirements are clear, lengths and types of certificates vary enormously.

Given these issues, staff believes there would be value to creating a three-year pilot program, outside of the existing funding model, to add funding for high quality CTE credentials produced. This would enable the state to support the full range of public postsecondary institutions that deliver CTE and provide a sound "test" environment to ensure that the State has good mechanisms for identifying high quality certificates at all of the institutions, including the ATCs.

If the Committee is interested, staff suggests that any bill on the pilot specify the legislature's intent to increase funding for the pilot based on increases in certificates produced, to the extent state revenue allows.

The table below shows the initial breakdown of $5.0 million in funding, based on certificates awarded in FY 2016-17 that have not yet been scrubbed to limit to "high quality".

	FY 2016-17 Certificates less than one year	FY 2016-17 Certificates at least one but less than two years	Total Certificates	% of total	Funding
State community college system	$10,975	$1,675	$12,650	63%	$3,172,812
Colorado Mesa University	242	185	427	2%	107,098
Metro State U of Denver	74	0	74	0%	18,560
Local district colleges	1,717	131	1,848	9%	463,506
Area technical colleges	4,754	182	4,936	25%	1,238,024
Total	**17,762**	**2,173**	**19,935**	**100%**	**$5,000,000**

The amounts shown above would represent increases 11.2 percent for the area technical colleges, 1.9 percent for the community college system, of 2.7 percent for the local district colleges, and 0.4 percent for CMU above the already substantial increases in the executive request.

If desired, the bill could include an offsetting reduction for funding increases included in the higher education funding model for the local district colleges, which have far more resources available than the other entities that must rely solely on state funding and tuition.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the JBC
FROM	Steve Allen, JBC Staff (303-866-4961)
DATE	March 21, 2018
SUBJECT	Staff comeback for Judicial operating expenses

In the recommendation for Office of the Alternate Defense Counsel operating expenses, JBC Staff incorrectly included $4,578 of legal services expenditures. The operating expenses recommendation was $113,197 but should have been $4,578 lower, i.e. $108,619 General Fund.

In the recommendation for Office of the Child's Representative operating expenses, JBC Staff incorrectly included $7,367 of legal services expenditures The operating expenses recommendation was $223,142 but should have been $7,367 lower, i.e. $215,775 General Fund.

Staff recommends that the Committee approve these revised General Fund operating expense appropriations.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Eric Kurtz, JBC Staff (303-866-4952)
DATE	March 22, 2018
SUBJECT	Comebacks - Community Provider Rates

The JBC tabled decisions on targeted rate adjustments.

TARGETED RATE ADJUSTMENTS

For targeted rate adjustments, the Governor requested several changes that would result in a net savings of $6.6 million total funds, including a decrease of $1.4 million General Fund, but the JBC has decided not to carry a bill proposed by the Governor to reduce nursing home rates. In addition, the JBC has publicly discussed other changes that would increase expenditures by $171.5 million total funds, including $89.1 million General Fund. The table below summarizes the Governor's request and the publicly discussed targeted rate adjustments. This is not necessarily a comprehensive list of all provider rate changes that JBC members are considering. It is only the potential provider rate changes that have been discussed publicly.

Targeted Rate Adjustments

	Total Funds	General Fund	Cash Funds	Federal Funds	Notes
Requested by Governor					
Anesthesia services	($9,728,911)	($2,950,535)	($274,539)	($6,503,837)	
Alternative care facilities	15,684,482	7,842,241	0	7,842,241	
Physician services & surgery	0	0	0	0	Net zero budget impact
Subtotal- Requested by Governor	*5,955,571*	*4,891,706*	*(274,539)*	*1,338,404*	Also recommended by MPRRAC and JBC Staff
Publicly Discussed					
Senior Dental Program	1,000,000	1,000,000	0	0	Rep. Hamner - Serves 920 more clients
Durable medical equipment	8,945,345	8,945,345	0	0	Rep. Young - Backfills FY17-18 GF share; bill
Physician-administered drugs	754,000	754,000	0	0	Sen. Moreno - Backfills FY17-18 oncology; bill
Increasing access to IDD	41,762,745	20,881,373	0	20,881,372	Rep. Young - bill
IDD Direct services	31,771,254	15,885,627	0	15,885,627	Increase IDD direct care professional rates 6.5%
IDD Enrollment	9,991,491	4,995,746	0	4,995,745	Increase IDD enrollments by 300
Transportation	12,797,700	5,000,000	731,140	7,066,560	15.4% inc to get closer to Medicare benchmark
Home Health	6,353,761	3,176,882	0	3,176,879	2nd of 3yr inc. to 90% of Medicare LUPA (6.3%)
Private Duty Nursing	1,276,153	638,077	0	638,076	2nd of 3yr inc. to reach "market" (6.7%)
Personal Care/Homemaker	96,067,478	47,486,154	547,585	48,033,739	
HCBS All Waivers	62,871,776	31,077,519	358,369	31,435,888	Match ave. for Area Agencies on Aging (36%)
Consumer Directed	33,195,702	16,408,635	189,216	16,597,851	Same % inc., but continued dif. in rates
Neonatology	2,508,500	1,223,477	4,163	1,280,860	Avoid primary care bump end +5.4% performance
Subtotal - Publicly Discussed	*171,465,682*	*89,105,308*	*1,282,888*	*81,077,486*	
TOTAL	**$177,421,253**	**$93,997,014**	**$1,008,349**	**$82,415,890**	

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee Members
FROM	John Ziegler, JBC Staff (303-866-4956)
DATE	March 22, 2018
SUBJECT	Governor Set-Aside Request

The Governor has requested one set-aside items on which the JBC has yet to take action.

1. Statutory Reserve – The Governor has requested that the JBC sponsor legislation to increase the statutory reserve from 6.5 percent to 8.0 percent. This change would require approximately $162.6 million General Fund. However, it should be noted that this amount could change based on actions taken by the JBC through the remaining figure setting process.

   JBC staff does not have a specific recommendation on the level that the statutory reserve should be increased. This is a policy decision to be made by the JBC.

COLORADO
Office of State Planning
& Budgeting
111 State Capitol
Denver, Colorado 80203

March 21, 2018

The Honorable Representative Millie Hamner
Chair, Joint Budget Committee
Colorado General Assembly
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, CO 80203

(CORRECTED VERSION)

Dear Representative Hamner:

On behalf of Governor John Hickenlooper, we respectfully request your consideration to set aside resources in the budget balancing for cybersecurity needs for our state. First and foremost, thank you for your continued leadership in preparing Colorado for ongoing threats in cybersecurity. We share your concern and goals that Colorado be as prepared as practically possible against the growing threats our state and local governments face in cyber.

Over the last several years, we have been working in partnership with you, the legislature, our institutions of higher education and nonprofits such as the National Cybersecurity Center, among others, to ensure Colorado is a leader in our own state government's preparation against cyber threats, ensuring that our institutions of higher education can produce the workforce needed to work in cybersecurity and to support understanding, training and preparation for local government entities in Colorado. We hope to continue support of these tenets and ask that resources be allocated as follows.

1.) Supporting the Office of Information Technology's Work in Cybersecurity: The Office of Information Technology has moved swiftly to improve the state's approach to protecting against cybersecurity threats and attacks over the past several years, including through Secure Colorado. As attackers become more sophisticated, it is critical that we stay ahead of the curve and apply new technologies and standards strategically in order to ensure we are as prepared as possible. Examples of current needs include, standardized security technology; privileged access management; cloud architecture and security governance; workforce technical security training; availability of skilled technical resources to implement security projects and to monitor for security threats; and continuous reassessment of our security program to include ongoing enterprise risk management. While this list will continually evolve based on the complexity of ever changing cyber threats, additional resources will expedite efforts currently underway and support our future needs. The estimated range of funding needed to begin this process is $3 to $5 million with future requests likely as the program develops.

2.) Supporting Institutions of Higher Education: With access to the latest data, trends, and threat activity, our higher education system can provide a rich platform of current information to drive research and development in cybersecurity and help build an effective, talented workforce for the future to assist with advancing the cybersecurity industry. With the expansion of the threat landscape, it is imperative to continue deep exploration of emerging tactics and trends, encryption and security, as well as new frameworks or protocols that will further advance the industry and better protect our critical assets. The estimated needs in this category are $4.8 million as follows:

- UCCS: $2,800,000 education/training/workforce; this includes funding for NSA/DHS Center of Academic Excellence as well as the training envisioned in item 3 below.

- CSU: $1,200,000 research/engagement

- CMU: $300,000 professional education

- Pikes Peak Community College: $300,000

- WCSU: $200,000 expand offerings in information assurance, network security, hacking and malware

3.) Supporting Training Opportunities for State and Local Governments: While cyber-attacks become more sophisticated, no additional resources have become available to train and prepare state and local governments against ongoing threats. The University of Colorado at Colorado Springs can deliver carefully curated training for state and local governments to support their preparation against cyber threats.

Thank you for your continued attention to this matter and we stand ready to provide additional information and support.

Sincerely,

Henry Sobanet
Director

200 E. Colfax Ave, Room 111, Denver, Colorado 80203 P 303.866.3317

Cc: Senator Kent Lambert, Vice-Chair, Joint Budget Committee
Senator Kevin Lundberg, Joint Budget Committee
Senator Dominick Moreno, Joint Budget Committee
Representative Dave Young, Joint Budget Committee
Representative Bob Rankin, Joint Budget Committee
Senate President Kevin Grantham
Speaker of the House of Representatives Crisanta Duran
Mr. John Ziegler, Joint Budget Committee Staff Director
Lieutenant Governor and Chief Operating Officer Donna Lynne
Mr. Patrick Meyers, Chief of Staff, Governor John W. Hickenlooper
Ms. Amy Venturi, Deputy Chief of Staff, Governor John W. Hickenlooper
Mr. David Padrino, Chief of Staff, Lt. Governor Donna Lynne
Mr. Kurtis Morrison, Director of Legislative Affairs, Governor John W. Hickenlooper
Ms. Lauren Lambert, Senior Deputy Director of Legislative Affairs, Governor John W. Hickenlooper
Ms. Christina Rosendahl, Deputy Director of Legislative Affairs, Governor John W. Hickenlooper
Mr. Jason Schrock, Deputy Director, Governor's Office of State Planning and Budgeting

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